DISRUPT
THE INDUSTRY

CREATE EXCITING
EXPERIENCES

GROW
INTERNATIONALLY

SUPPORT
CHARITIES

CREATE A BETTER WORLD OF LOTTERY

INTERIM FINANCIAL REPORT
1 JANUARY – 30 June 2017

ZEAL

ZEAL Network SE* and its consolidated companies** specialise in the area of online lottery. Our service offering consists primarily of the highly profitable consumer-facing lottery-based games business and the provision of business-to-business lottery solutions. Disruption of the online lottery market through innovation is a core objective of the Group. A proven track record in development of online technology and distribution channels, optimum utilisation of our bespoke hedging structure and the benefits of gradual market deregulation have enabled us to retain a leading position in the market. Internationalisation of our product offering is the key platform on which ZEAL aims to continue expanding.

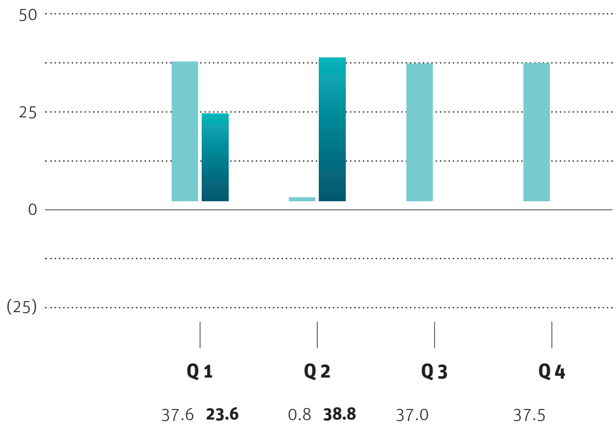
CONTENTS

** 'ZEAL Network' or 'the Company'*
*** 'ZEAL' or 'the Group'*

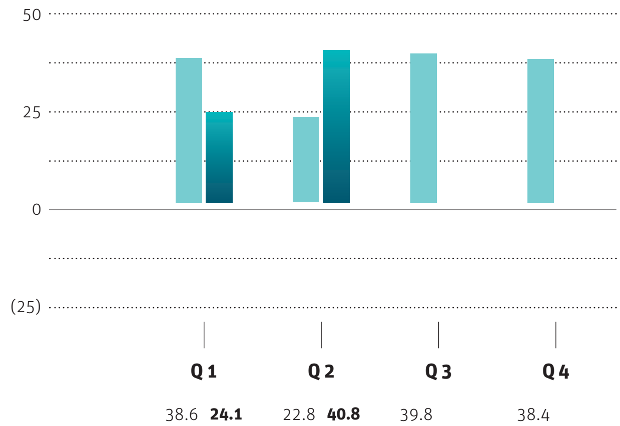
PERFORMANCE

2016 2017

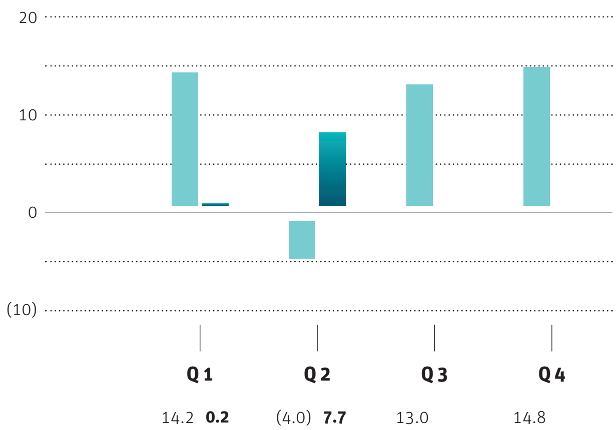
STATUTORY REVENUE[1] in €m



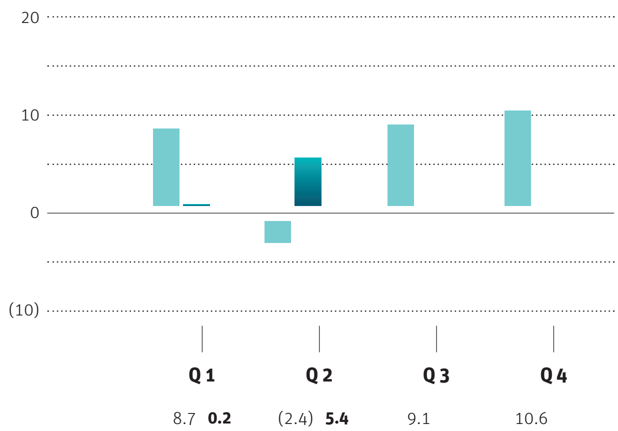
STATUTORY TOTAL OPERATING PERFORMANCE in €m



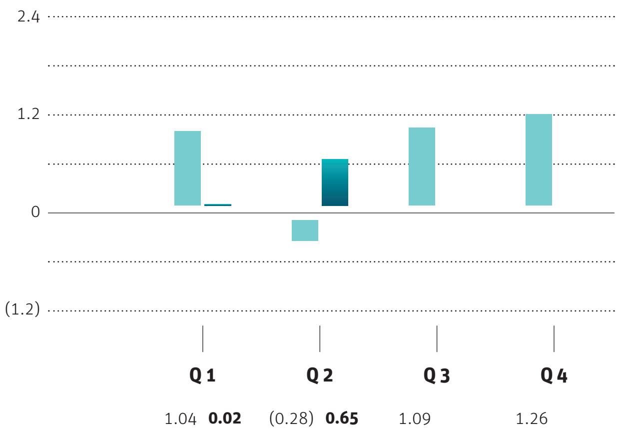
STATUTORY EBIT in €m



NET PROFIT in €m



EARNINGS PER SHARE in €



[1] *Revenue in Q 2 2016 and Q 1 2017 was negatively impacted by high prize pay-outs.*
[2] *Due to the rounding of quarterly results, there may be minor differences between the figures in the graphs above and those presented elsewhere in the Interim Financial Report.*

EXECUTIVE REVIEW

DEAR SHAREHOLDERS

The first half of 2017 has been solid for the Group and laid the foundations for further growth. We have delivered another profitable result, increasing Total Operating Performance[1] (TOP), growth in billings in our Business-to-Consumer (B2C) business and further improvements in average Monthly Active Users (MAU). In May 2017, ZEAL secured an investment in Los Angeles based start-up Omaze, Inc (Omaze). In June 2017, we successfully launched our Norway Charity lottery product in beta in partnership with one of the world's largest charities, UNICEF.

FINANCIAL PERFORMANCE FOR THE FIRST SIX MONTHS OF 2017

Billings, which comprise all stakes from customers (including brokerage stakes) net of free bets, totalled €136,420k for the six month period ended 30 June 2017. This represents an increase of €3,386k or 3% compared to the same period in 2016 (€133,034k).

TOP for the six month period ended 30 June 2017 amounted to €64,976k (2016: €61,444k), an increase of €3,532k. The increase in TOP is driven by additional revenue from higher billings and a reduction in exceptional prize pay-outs of €2,000k compared to the prior period.

Average MAU increased by 25.5k to 386.5k for the six months, compared to the comparative period (2016: 361.0k). There was a slight reduction in Average Billings Per User (ABPU) to €55.24 (2016: €57.26) compared to the same period in 2016, driven by new users spending less than our long term customers and a shift in product mix.

EBIT for the six month period amounted to €7,899k (2016: €10,264k), representing a decrease of €2,365k compared to the same period in 2016. The decrease in EBIT was primarily driven by increased investment in pursuing our internationalisation strategy resulting in increased personnel, marketing and other operating expenses. This was partially offset by improved TOP, the absence of negative exchange rate differences, non-recurring acquisition costs and a reduction in amortisation and depreciation. The increase in other operating expenses included €4,535k in additional hedging costs as a result of a higher number of large jackpots.

We also monitor our performance based on 'normalised' results, which include adjustments for expected lottery pay-outs based on statistical modelling. 'Normalised' revenue[2] in the first six months of 2017 increased by 3% to €71,501k (2016: €69,473k) with 'normalised' EBIT[2] amounting to €17,658k (2016: €21,377k).

NEW INVESTMENTS

On 1 May 2017, ZEAL secured an investment in Los Angeles based start-up Omaze. Omaze already has significant traction in the US market, offering a non-licenced social prize competition. It targets the emerging millennial generation and transforms charitable giving, offering once-in-a-lifetime experiences. ZEAL received preferred shares representing a 2.5% interest for a cash investment of €1,846k (USD $2,000k). The investment allows the Company to hold a Board Observer seat and various rights to protect and extend its shareholding.

[1] TOP is the sum of Revenue and Other Operating Income as disclosed in the Interim Consolidated Income Statement.
[2] 'Normalised' revenue and EBIT are non-statutory measures. These items have been defined in the 'normalised' results section of the report.

The Free Postcode Lottery Limited (FPL), in which ZEAL has a 10% investment, performed well with FPL's average daily active users for the six months of 2017 growing by 70% to 288,015 compared to the same period in 2016 (169,895).

NEW MARKETS

In June 2017 we launched our charity lottery product in beta in partnership with UNICEF Norway. During the closed beta phase, this product is available to a limited number of customers and is expected to have a full launch in the second half of the year. We are currently one of only two operators to be granted a charity lottery licence, which allows our partnership with UNICEF Norway to operate a nationwide charity lottery for a period of nine years.

As part of our internationalisation strategy, we also plan to introduce an innovative and fully licenced social lottery in the Netherlands in the second half of 2017.

UNITED KINGDOM (UK) POLITICAL LANDSCAPE

The UK continues to negotiate an exit deal from the European Union (EU), having invoked Article 50 of the Treaty of Lisbon on 29 March 2017. The UK will leave the EU by 29 March 2019, unless either a deal is reached at an earlier date or the negotiation period is extended by unanimous consent of the European Council. We will continue to monitor the negotiations between the UK and the EU, however, in all scenarios the Group expects that the impact will be minimal.

DIVIDEND PAYMENT 2017

ZEAL confirms its intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

OUTLOOK

Our strategic outlook remains unchanged as we continue to see attractive growth opportunities in our target markets. We have made tangible progress towards our internationalisation strategy by expanding our global footprint. The Group remains well positioned to capitalise on opportunities arising from changes to regulatory conditions and relatively low internet penetration of the lottery industry. For 2017, we expect to deliver TOP in the range of €130m to €140m and EBIT of between €15m and €25m.

The Executive Board

Dr. Helmut Becker	**Jonas Mattsson**	**Susan Standiford**
CEO	CFO	CTO

BUSINESS REVIEW

BUSINESS MODEL AND STRUCTURE

The Group's operating segments are Business-to-Consumer (B2C) and Business-to-Business/Business-to-Government (B2B/B2G). We have described the composition of the segments in more detail below:

B2C Segment

- B2C's operating results comprise the lottery betting business, sales of Instant Win Games, direct costs and an allocation of the shared cost base.

B2B/B2G Segment

The B2B/B2G segment comprises the remainder of the Group's core operating activities including:

- the lottery brokerage business in Spain;
- the international services business for lottery operators including online operation of the lottery games for charitable organisations;
- the international business offering digital services to private business partners and state lotteries as well as operating its own licensed lotteries.
- Segmental results presented are attributable to the operating activities of the B2B/B2G segment together with an allocation of shared costs.

LEGAL AND REGULATORY MATTERS

The development of the legal environment in the jurisdictions in which we operate or plan to enter varies greatly:

- In Germany, gambling is governed by the German State Treaty on Games of Chance (Staatsvertrag zum Glücksspielwesen), brought into law in 2008 and revised in 2012. The legislation was found to be in breach of European Union (EU) law and, as such, the legal situation for any potential enforcement of German legislation in Europe remains unclear. Specifically, the European Court of Justice (ECJ) found that the application of the legislation was in contravention of the EU law on the freedom to provide services. While the judgement against the legislation applied to sports betting, it is likely to extend to all games of chance, including lottery. The European Commission continues to carefully monitor the German regulation and may consider the initiation of infringement procedures against Germany. After further rulings of German courts against German authorities and in favour of private gambling operators, the regulator has recently proposed minor changes to the sports betting sector legislation, which in our eyes does not solve the non-compliance of the interstate treaty with EU law. The Group continues to monitor the regulatory developments and carefully reviews the outcomes of any directly relevant court case for precedents. While it remains to be seen whether any prospective changes will silence the European Commission's challenges and prevent it from initiating any formal action against Germany, the Group believes that the current lack of clarity does not negatively impact ongoing operations or future business.
- The UK Government has now revised the National Gambling Act to improve consumer protection by requiring companies based offshore, but seeking to market gaming products in the UK, to be licensed by the UK Gambling Commission.
- The legal situation in Spain remains unclear. Unequivocal regulations concerning the online brokerage of lotteries, especially product marketing, are not imminent at present. The risk to the legality of our Spanish business is discussed in the risk report in the 2016 Annual Report.

ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included in our 2016 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2016 Annual Report. Furthermore, there have been no significant additional legal or regulatory matters that have arisen during the first six months of 2017.

TAX MATTERS AND CONTINGENT LIABILITIES

There have been no material changes in the status of the tax matters reported in the 2016 Annual Report. The Directors continue to closely monitor any changes in areas where a contingent liability has been previously disclosed.

'NORMALISATION' OF RESULTS

'NORMALISED' RESULTS

In the lotteries on which results ZEAL Group relies, there are fixed underlying pay-out ratios (ratio of pay-outs to stakes) for ongoing lottery draws. For our main products, this is approximately 50%. The expected pay-out ratio for lottery betting is the same as for the primary lotteries.

There may be deviations between the expected pay-out ratio and actual pay-outs made. The difference between the actual pay-out and the expected prize pay-out is referred to as 'normalisation' in this report.

In order to aid understanding of the financial statements and the related earnings positions, we disclose the effect of deviations between the expected and actual pay-out ratio by presenting 'normalised' revenue and EBIT.

PAY-OUTS ON LOTTERY BETTING

Total pay-outs on lottery betting in the first six months of 2017 were €9,150k above the expected pay-out value (in the first six months of 2016, the comparable figure was €31,143k above the expected pay-out value) with an impact on statutory revenue of the same amount. This, combined with the €609k impact from the 'normalisation' of hedging income, resulted in a difference between actual and expected statutory EBIT of €9,759k (in the first six months of 2016, statutory EBIT was €11,113k lower than expectation).

Revenue

	H1 2017	H1 2016
in €k		
Actual	62,351	38,330
Expected[1]	71,501	69,473
'Normalisation' effect[2]	**(9,150)**	**(31,143)**

EBIT

	H1 2017	H1 2016
in €k		
Actual	7,899	10,264
Expected[1]	17,658	21,377
'Normalisation' effect[2]	**(9,759)**	**(11,113)**

[1] *Actuals adjusted for expected pay-outs*
[2] *Difference between actual and expected amounts*

FINANCIAL REVIEW

The following table details the interim consolidated results of the ZEAL Group for the six months ended 30 June:

	H 1 2017	H 1 2016
in €k		
Revenue	62,351	38,330
Other operating income	2,625	23,114
Total Operating Performance (TOP)	**64,976**	**61,444**
Personnel expenses	(16,027)	(13,363)
Other operating expenses	(40,340)	(33,613)
Marketing expenses	*(8,862)*	*(5,614)*
Direct costs of operations	*(19,880)*	*(15,082)*
Other costs of operations	*(11,598)*	*(12,917)*
Exchange rate differences	(55)	(1,488)
Loss on acquisition	–	(1,340)
EBITDA	**8,554**	**11,640**
Amortisation and depreciation	(655)	(1,376)
EBIT	**7,899**	**10,264**
Financing and investing result	101	(1,223)
EBT	**8,000**	**9,041**
Income taxes	(2,400)	(2,712)
Profit for the period	**5,600**	**6,329**
Earnings per share €	**0.67**	**0.75**

TOTAL OPERATING PERFORMANCE (TOP)

Consolidated TOP for the six month period ended 30 June 2017 amounted to €64,976k (2016: €61,444k), representing an increase of €3,532k compared to the same period in 2016.

The increase in revenue is driven by billings growth of 3% and a reduction in exceptional prize pay-outs (€15,000k in the first six months of 2017 compared to €37,000k in the same period in 2016).

The decrease in other operating income is attributable to a receipt of €20,000k (2017: €nil) from a special jackpot insurance policy in the prior year (which related to the exceptional prize pay-out of €37,000k) and a decrease in the amount of dormant balance accounts released in the first six months of 2017 to €480k (2016: €1,600k).

Fluctuations in revenue and other operating income are expected based on the timing of jackpot winners.

EXPENSES

In the first six months of 2017, personnel expenses were €16,027k, representing an increase of €2,664k compared to the same period in 2016 (€13,363k). The period-on-period increase in personnel expenses is primarily due to increased headcount relating to investments into new markets and technical personnel especially in our B2B/B2G segment.

Compared to the same period in the previous year, other operating expenses increased from €33,613k to €40,340k. The most significant contributory factors were:

- increase in marketing expenses of €3,248k. The increased investment in marketing is consistent with our strategy to drive customer acquisition and re-activate the dormant proportion of the B2C customer base.
- Increase in direct costs of operations of €4,798k, which is primarily due to the €4,535k increase in hedged ticket costs due to a higher than expected number of large jackpots which were fully hedged. This arose in the B2C segment and primarily related to Euro Millones.

LOSS ON ACQUISITION

In the first quarter of 2016, ZEAL acquired the remaining shares in Geonomics Global Games Limited (GGGL) and Geo24 UK Limited (Geo24) to obtain 100% ownership. The objective of the acquisition was to secure the software development team and the expertise of the employees from both entities. A loss on acquisition of €1,340k was recorded in the first quarter of 2016. Since the acquisition, the new team has been key in developing products, platforms and technologies that will allow the operating business to react quickly and efficiently to consumers and changes in the competitive landscape.

EBIT

EBIT for the period amounted to €7,899k (2016: €10,264k), representing a decrease of €2,365k compared to the same period in 2016. EBIT for the period was impacted by the following movements, some of which we expect to be temporary or one-off in nature:

- increase in personnel expenses of €2,664k;
- increase in marketing expenses of €3,248k;
- increase in direct costs of operations of €4,798k.

This was offset by positive movements, outlined below:

- increase in TOP by €3,532k as discussed above;
- absence of negative exchange rate movements (€1,433k);
- decrease in other cost of operations of €1,319k;
- the charge of €1,340k attributable to the acquisition of GGGL and Geo24, which was recorded in the first six months of 2016, but did not recur in 2017;
- reduction in depreciation and amortisation expenses of €721k.

FINANCING AND INVESTING RESULT

The financing and investing result for the six month period ended 30 June 2017 amounted to a gain of €101k (2016: loss of €1,223k), representing an improvement of €1,324k compared to the same period in 2016. In 2016, a loan advanced to GGGL under a convertible facility was impaired. The Group provided against each draw-down as there was significant uncertainty over whether the funds would be repaid and a charge of €1,598k was recorded in the income statement.

The remaining amounts recorded within this line relate to other interest income of €295k (2016: €510k), offset by interest expense of €194k (2016: €135k).

TAX

At 30%, the consolidated tax rate in the first six months is the same as in the prior period. The Group's consolidated tax rate each period is impacted by fluctuations in the mix of losses and earnings between tax groups.

EARNINGS PER SHARE (EPS)

The EPS from continuing operations in the first six months of 2017 decreased compared to the same period in the previous year from €0.75 to €0.67 due to a decrease in profit after tax of €729k.

DIVIDEND

ZEAL confirms its intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

CASH FLOW AND CAPITAL MANAGEMENT

in €k	**H1 2017**	H1 2016
Cash from operating activities	7,354	16,867
Cash used in investing activities	(1,088)	(1,817)
Cash used in financing activities	–	(11,739)
Changes in cash and pledged cash and short-term financial assets	**6,266**	**3,311**
Cash and pledged cash and short-term financial assets at the beginning of the period	114,665	107,660
Cash and pledged cash and short-term financial assets at the end of the period	**120,931**	**110,971**

Cash inflow from operating activities in the first six months of 2017 was €7,354k (€9,513k below the comparable 2016 figure of €16,867k). The difference primarily relates to the receipt of €9,575k from the Spanish Tax authority in 2016 and the reduction in profit before tax of €1,041k.

In the first six months of 2017, investing activities resulted in cash outflows of €1,088k (2016: €1,817k). In 2017, the acquisition of intangible and property, plant and equipment assets were €742k (2016: €219k). The investment in Omaze resulted in a cash outflow of €1,846k, whilst the Group received a loan payment of €1,500k. In 2016, investing cash outflows also included draw-downs made by GGGL on the convertible loan facility of €1,598k.

Cash used in financing activities was €nil in the first six months of 2017 (2016: €11,739k). This reduction is attributable to dividend payments made in the prior year.

As of 30 June 2017, ZEAL had cash and pledged cash and short-term deposits of €120,931k (2016: €110,971k). This includes funds that ensure that MyLotto24 Limited is sufficiently well financed to pay jackpot winnings as they fall due.

FORECAST

As announced on 9 March 2017 and re-iterated in our 2016 Annual Report issued on 23 March 2017, we expect to deliver TOP in the range of €130m to €140m and EBIT of between €15m and €25m.

OTHER INFORMATION

Information about our risk management approach and our business risks and opportunities are detailed on pages 25–29 of our 2016 Annual Report.

GOING CONCERN

The Directors formed a judgement at the time of approving the interim financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group held €120,931k in cash, pledged cash and short-term financial assets at the period end (31 December 2016: €114,665k). The Group expects to deliver revenue and profit growth in the periods ahead. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

DIRECTORS OF THE COMPANY

The directors who held office during the period or were appointed after the period were:
Executive Board

- Dr. Helmut Becker, CEO
- Jonas Mattsson, CFO
- Susan Standiford, CTO

Supervisory Board

- Andreas de Maizière – resigned 30 June 2017
- Peter Steiner
- Thorsten H. Hehl
- Oliver Jaster
- Bernd Schiphorst
- Jens Schumann
- Leslie-Ann Reed – appointed 14 July 2017

Andreas de Maizière resigned from the Board with effect from the conclusion of the AGM on 30 June 2017. Peter Steiner took over the position of Chairman of the Supervisory Board on the same date Leslie-Ann Reed was appointed to the Supervisory Board in the capacity as Vice-Chair on 14 July 2017 and has replaced Peter Steiner as Chair of the Audit Committee.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, as well as a fair review of information on material transactions with related parties and changes since the last Annual Report.

11 August 2017

Dr. Helmut Becker	Jonas Mattsson	Susan Standiford
CEO	CFO	CTO

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

		H 1 2017	H 1 2016	**Q 2 2017**	Q 2 2016
in €k	Note				
Revenue	2	62,351	38,330	38,777	754
Other operating income	2	2,625	23,114	2,057	22,055
Total Operating Performance (TOP)		**64,976**	**61,444**	**40,834**	**22,809**
Personnel expenses		(16,027)	(13,363)	(8,018)	(6,618)
Other operating expenses		(40,340)	(33,613)	(24,789)	(19,208)
Marketing expenses		*(8,862)*	*(5,614)*	*(4,884)*	*(4,145)*
Direct costs of operations		*(19,880)*	*(15,082)*	*(12,905)*	*(7,156)*
Other costs of operations		*(11,598)*	*(12,917)*	*(7,000)*	*(7,907)*
Exchange rate differences		(55)	(1,488)	(58)	(509)
Depreciation and amortisation of non-current assets		(655)	(1,376)	(315)	(453)
Loss on acquisition		–	(1,340)	–	–
Result from operating activities (EBIT)		**7,899**	**10,264**	**7,654**	**(3,979)**
Finance income		295	510	220	384
Finance costs		(194)	(135)	(109)	(83)
Impairment of convertible loan		–	(1,598)	–	–
Results from financing and investing activities		**101**	**(1,223)**	**111**	**301**
Profit/(loss) before income tax		**8,000**	**9,041**	**7,765**	**(3,678)**
Income tax (expense)/credit	4	(2,400)	(2,712)	(2,330)	1,312
Profit/(loss) attributable to the equity shareholders of the Company		**5,600**	**6,329**	**5,435**	**(2,366)**
Earnings/(loss) per share for profit/(loss) attributable to ordinary equity holders of the Company		€	€	€	€
Basic and diluted earnings/(loss) per share		0.67	0.75	0.65	(0.28)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

in €k	**H 1 2017**	H 1 2016	**Q 2 2017**	Q 2 2016
Profit/(loss) for the period	**5,600**	**6,329**	**5,435**	**(2,366)**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of foreign operations	19	117	22	117
Loss on available-for-sale financial assets (AFS)	(9)	(378)	(99)	(134)
Other comprehensive income/(loss) net of tax	**10**	**(261)**	**(77)**	**(17)**
Total comprehensive income/(loss) attributable to the equity shareholders of the Company	**5,610**	**6,068**	**5,358**	**(2,383)**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

ASSETS in €k	Note	30/06/2017	31/12/2016
Non-current assets			
Property, plant and equipment		2,280	1,901
Intangible assets		510	802
Deferred tax assets		575	575
Other investments	3	3,044	1,198
Other assets and prepaid expenses		338	201
Total non-current assets		**6,747**	**4,677**
Current assets			
Trade and other receivables		738	755
Income tax receivables		8	9
Other current assets and prepaid expenses		7,174	12,835
Short-term loan		1,557	3,075
Financial assets		35,351	19,682
Cash and pledged cash		85,580	94,983
Total current assets		**130,408**	**131,339**
TOTAL ASSETS		**137,155**	**136,016**

EQUITY & LIABILITIES in €k	**30/06/2017**	**31/12/2016**
Non-current liabilities		
Other liabilities	3,055	2,199
Total non-current liabilities	**3,055**	**2,199**
Current liabilities		
Trade payables	3,926	5,052
Other liabilities	18,434	22,545
Financial liabilities	139	123
Deferred income	3,040	2,251
Income tax liabilities	5,089	5,952
Provisions	304	336
Total current liabilities	**30,932**	**36,259**
Equity		
Subscribed capital	8,385	8,385
Share premium	21,578	21,578
Other reserves	(794)	(785)
Foreign currency translation reserve	162	143
Retained earnings	73,837	68,237
Total equity	**103,168**	**97,558**
TOTAL EQUITY & LIABILITIES	**137,155**	**136,016**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

	H 1 2017	H 1 2016
in €k		
Profit from continuing operations before tax	8,000	9,041
Adjustments for		
Depreciation and amortisation of non-current assets	655	1,376
Net loss on sale of non-current assets	1	1
Finance income	(295)	(273)
Finance costs	194	135
Impairment of convertible loan	–	1,598
Loss on acquisition	–	1,340
Acquisition of GGGL and Geo24, net of cash acquired	–	(623)
Profit on dissolution of subsidiary	–	(238)
Other non-cash changes	27	(951)
Changes in		
Trade and other receivables	17	9,784
Other assets and prepaid expenses	5,524	1,259
Trade payables	(1,126)	(1,214)
Other liabilities	(3,255)	(1,248)
Financial liabilities	16	(5)
Deferred income	789	(841)
Short-term provisions	(32)	(379)
Interest received	295	510
Interest paid	(194)	(135)
Income taxes paid	(3,262)	(2,270)
Cash flow from operating activities	**7,354**	**16,867**

in €k	**H 1 2017**	H 1 2016
Cash flow from investing activities		
Payments for acquisition of intangible assets	(25)	(15)
Payments for acquisition of property, plant and equipment	(717)	(204)
Payment for acquisition of investment	(1,846)	–
Loan receipt from other companies	1,500	–
Contributions to associated companies	–	(1,598)
Net cash outflow from investing activities	**(1,088)**	**(1,817)**
Cash flow from financing activities		
Dividends paid to the Company's shareholders	–	(11,739)
Net cash outflow from financing activities	**–**	**(11,739)**
Net increase in cash, pledged cash and short-term financial assets	6,266	3,311
Cash, pledged cash and short-term financial assets at the beginning of the year	114,665	107,660
Cash, pledged cash and short-term financial assets at the end of the financial year	**120,931**	**110,971**
Composition of cash, pledged cash and short-term financial assets at the end of the year		
Cash and pledged cash	85,580	92,454
Short-term financial assets	35,351	18,517

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2016 AND FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 30 JUNE 2016

	Subscribed capital	Share premium	Other reserves	Retained earnings	Currency translation adjustments	**Total equity**
in €k						
As at 1 January 2016	**8,385**	**21,578**	**(558)**	**65,764**	**–**	**95,169**
Profit for the period	–	–	–	6,329	–	6,329
Other comprehensive income/(loss)	–	–	(378)	–	117	(261)
Total comprehensive income/(loss) for the period	**–**	**–**	**(378)**	**6,329**	**117**	**6,068**
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	(11,739)	–	(11,739)
As at 30 June 2016	**8,385**	**21,578**	**(936)**	**60,354**	**117**	**89,498**
Profit for the period	–	–	–	19,622	–	19,622
Other comprehensive income	–	–	151	–	26	177
Total comprehensive income for the period	**–**	**–**	**151**	**19,622**	**26**	**19,799**
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	(11,739)	–	(11,739)
As at 31 December 2016	**8,385**	**21,578**	**(785)**	**68,237**	**143**	**97,558**
Profit for the period	–	–	–	5,600	–	5,600
Other comprehensive income/(loss)	–	–	(9)	–	19	10
Total comprehensive income/(loss) for the period	**–**	**–**	**(9)**	**5,600**	**19**	**5,610**
As at 30 June 2017	**8,385**	**21,578**	**(794)**	**73,837**	**162**	**103,168**

SELECTED EXPLANATORY NOTES

1 GENERAL INFORMATION, BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES AND EVENTS DURING THE PERIOD

GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements (the 'interim financial statements') for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL' or 'the Group') for the six month period ended 30 June 2017 were authorised for issue by the Directors on 11 August 2017.

The Company was founded in Germany in 1999 and transferred its registration to the United Kingdom in February 2014 under the Company Number SE000078. The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

The date of the interim consolidated statement of financial position is 30 June 2017. The financial period ended 30 June 2017 covers the period from 1 January 2017 to 30 June 2017.

The interim financial statements are unaudited. The operations of the Group are not subject to significant seasonality or cyclical trends.

BASIS OF PREPARATION

The interim financial statements for the six month period ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Accordingly, these interim financial statements do not include all of the information and disclosures required to fully comply with IFRS as adopted by the European Union. For this reason, the interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

The interim financial statements include all adjustments of a normal and recurring nature considered necessary for fair presentation of results for interim periods. Results of the period ended 30 June 2017 are not necessarily indicative of future results.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and calculation methods were used for these interim financial statements as for the consolidated financial statements for the year ended 31 December 2016.

EVENTS DURING THE PERIOD

On 1 May 2017, ZEAL secured a cash investment of €1,846k (USD $2,000k) in Los Angeles based start-up Omaze, Inc (Omaze). Omaze is disrupting charitable giving by offering once-in-a-lifetime experiences and exclusive merchandise in support of critical causes.

In March 2017, a player won a prize of approximately €15,000k. The pay-out falls within the self-retention specified in MyLotto24's hedging instruments.

2 SEGMENT REPORTING

SEGMENTAL DISCLOSURE PRESENTATION

The Group's reportable operating segments reflect the management structure of the Group, the way performance is evaluated and the way resources are allocated by the Chief Operating Decision Maker (CODM), being the Board of Directors.

We monitor the performance of the B2C segment based on 'normalised' revenue and EBIT (statutory revenue and EBIT adjusted to the statistically expected prize pay-outs) and actual results for the B2B/B2G segment. The disclosures included in the operating segment note below are consistent with the Group's internal reporting and 'normalised' performance is given due prominence in the disclosure as this is the way in which we analyse the Group. A fuller description of 'normalisation' is included in the business review section of this report. Included within the note below is a reconciliation between the segmental results used to assess the lines of business and our consolidated statutory performance where statistically expected pay-outs are replaced with actual cash outflows. Inter-segment transactions are also eliminated as part of this process. Descriptions of the significant reconciling items are also included below the relevant tables.

The operating segments are Business-to-Consumer (B2C) and Business-to-Business/Business-to-Government (B2B/B2G). We have described the composition of the segments in more detail below:

B2C Segment

B2C's operating results comprise the lottery betting business, sales of Instant Win Games products, direct costs and an allocation of the shared cost base.

B2B/B2G Segment

The B2B/B2G segment comprises the remainder of the Group's core operating activities including:

- the lottery brokerage business in Spain;
- the international services business for lottery operators including online operation of the lottery games for charitable organisations;
- the international business that offers digital services to private business partners or state lotteries.
- Segmental results presented are attributable to the operating activities of the B2B/B2G segment together with an allocation of shared costs.

Business unit segment reporting

H1 2017	B2C	B2B/B2G	Business unit total	'Normalisation' and other adjustments	'Normalisation' adjustments	Other adjust-ments	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	67,817	3,572	71,389	(9,038)	(9,150)	112	62,351
Other operating income	3,049	167	3,216	(591)	(609)	18	2,625
Total operating performance (TOP)	**70,866**	**3,739**	**74,605**	**(9,629)**	**(9,759)**	**130**	**64,976**
EBITDA	**23,466**	**(5,114)**	**18,352**	**(9,798)**	**(9,759)**	**(39)**	**8,554**
Depreciation/amortisation	(501)	(154)	(655)	–	–	–	(655)
EBIT	**22,965**	**(5,268)**	**17,697**	**(9,798)**	**(9,759)**	**(39)**	**7,899**
Financing and investing result	–	–	–	101	–	101	101
EBT	**–**	**–**	**17,697**	**(9,697)**	**(9,759)**	**62**	**8,000**
Income tax	–	–	–	(2,400)	–	(2,400)	(2,400)
Net profit/(loss)	**–**	**–**	**17,697**	**(12,097)**	**(9,759)**	**(2,338)**	**5,600**

The principal reconciling items between the aggregated business unit results and the consolidated statutory results are attributable to two main categories being:

- 'Normalisation' adjustments – these adjustments bridge the quantum of statistically expected pay-outs included within the business unit column to consolidated statutory results which include actual cash outflows.
- 'Other' adjustments – the most significant adjustment relates to the following:
  - Other items impacting revenue and other operating income relate to external revenue and other operating income generated by Schumann e.K. This company does not form part of either the B2C or B2B/B2G segments.
  - The remaining reconciling items are not considered material by the Directors.

Business unit segment reporting **H1 2016**	B2C	B2B/B2G	Business unit total	'Normalisation' and other adjustments	'Normalisation' adjustments	Other adjust-ments	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	66,234	3,125	69,359	(31,029)	(31,143)	114	38,330
Other operating income	1,135	164	1,299	21,815	20,030	1,785	23,114
Total operating performance (TOP)	**67,369**	**3,289**	**70,658**	**(9,214)**	**(11,113)**	**1,899**	**61,444**
EBITDA	**27,274**	**(4,814)**	**22,460**	**(10,820)**	**(11,113)**	**293**	**11,640**
Depreciation/amortisation	(1,042)	(334)	(1,376)	–	–	–	(1,376)
EBIT	**26,232**	**(5,148)**	**21,084**	**(10,820)**	**(11,113)**	**293**	**10,264**
Financing and investing result	–	–	–	(1,223)	–	(1,223)	(1,223)
EBT	**–**	**–**	**21,084**	**(12,043)**	**(11,113)**	**(930)**	**9,041**
Income tax	–	–	–	(2,712)	–	(2,712)	(2,712)
Net profit/(loss)	**–**	**–**	**21,084**	**(14,755)**	**(11,113)**	**(3,642)**	**6,329**

- 'Other' adjustments – the most significant adjustments in 2016 relate to the following items:
  - a charge associated with the acquisition of GGGL and Geo24 amounting to approximately €1,340k recorded within EBITDA and EBIT;
  - an impairment charge on amounts drawn by GGGL on the convertible loan facility of €1,598k recorded within the financial result (described in the business review section above). The remaining gain of €375k included within this category relates to net income receivable accrued in the normal course of business.
  - Other items impacting revenue and other operating income relate to external revenue and other operating income generated by Schumann e.K. This company does not form part of either the B2C or B2B/B2G segments.

3 OTHER INVESTMENTS

On 1 May 2017, ZEAL secured a cash investment of €1,846k (USD $2,000k) in Los Angeles based start-up Omaze. Omaze is disrupting charitable giving by offering once-in-a-lifetime experiences and exclusive merchandise in support of critical causes. ZEAL received preferred shares representing a 2.5% interest, a Board Observer seat and various rights to protect and extend its shareholding.

The Group holds a 10% interest in FPL and an anti-dilution call option to purchase an extra 20% of the shares at any time within five years from the date of the investment.

	2017
in €k	
Balance as at 1 January 2017	1,198
Additions	1,846
Impairment	–
Balance as at 30 June 2017	**3,044**

Other investments are recognised at cost net of any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment.

4 TAXES

The tax calculation of the Group is based on an effective tax rate which suitably reflects the forecasted tax expense for the full year.

	H 1 2017	H 1 2016	**Q 2 2017**	Q 2 2016
in €k				
Current income tax (expense)/credit	(2,400)	(2,712)	(2,330)	1,312
Deferred tax (expense)	–	–	–	–
Total income tax	**(2,400)**	(2,712)	**(2,330)**	1,312

5 DIVIDENDS

ZEAL confirms its communicated intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All financial instruments held by the Group at 30 June 2017 are classified as level 1. For all financial instruments the carrying amount approximates to fair value. Of the short-term financial assets held at 30 June 2017 amounting to €35,351k (31 December 2016: €19,682k), €34,177k were available-for-sale financial assets (31 December 2016: €17,490k) and €1,174k were held-to-maturity financial assets (31 December 2016: €2,192k).

Assets and liabilities are reviewed at the end of each reporting period to determine whether any transfers between the levels of fair value hierarchy are deemed to have occurred. Given the nature of the assets and liabilities held, transfers between levels of fair value hierarchy are not expected. There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the period.

6.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, short-term financial assets, trade receivables, other receivables and short term loans.

Cash and other financial assets
There may be a default risk both in respect of the cash and short-term financial assets themselves, as well as in the related interests accrued. Due to the high total amount of cash and short-term financial assets held by ZEAL and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

Cash and short-term financial assets are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.

ZEAL's investment strategy is aimed at spreading and minimising risk by means of multi-dimensional diversification. First, funds are divided into differing investment products, such as sight and term deposits, highly fungible government bonds of Eurozone states and short-term investment fund units. Second, we restrict our choice to those investments with good credit ratings. Following regular monitoring, there were no specific default risks in the portfolio as of the balance sheet date.

Trade and other receivables
The Company mainly collects the amounts owed by customers directly, via direct debit or credit card. On the basis of many years of collected data, the risk of returned direct debits or credit card charges is regarded as limited. Missing amounts from such cancellations are charged directly to 'Other operating expenses'.

The Group generates receivables from lottery organisers for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organisers, the Group does not expect any significant default on payment.

Receivables from payment systems such as credit card companies, entail the risk that the Group's customers themselves fail to meet their payment obligations. This risk is recognised directly in profit or loss in the event of payment default by a customer.

Short-term loan
The Group has advanced an amount to a third party as part of a pre-existing platform separation agreement. Due to the credit standing of the counterparty, the Group does not expect any significant default on payment. In accordance with the loan agreement, part of the balance (€1,500k) was received on 17 May 2017.

Contingent assets
No contingent assets were recognised at 30 June 2017 (31 December 2016: no contingent assets recognised).

6.3 LIQUIDITY RISK

Due to the sufficiency of its liquid assets, ZEAL is not exposed to any significant liquidity risk. Even in the case of significant restrictions of business against the backdrop of regulatory developments, ZEAL has sufficient liquidity to service the Company's liabilities at any time. Financial liabilities are mainly due immediately and do not accrue interest.

In order to limit the particular risk of high jackpot pay-outs in the B2C segment, MyLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to a so-called catastrophe bond ('CAT bond') via an ILS vehicle.

Financial liabilities and trade payables presented on the face of the balance sheet are mainly payable within one year.

6.4 INTEREST RATE RISK

ZEAL invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. Sensitivity analyses performed yielded no material movement in interest income based on an increase or decrease of 10 basis points.

6.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP exchange rates. The risk arises from payments received and made in foreign currency, which differ from the Company's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities. Sensitivity analyses performed yielded no material movement in foreign exchange gains or losses based on an increase or decrease of 10% GBP to Euro exchange rates.

The financial assets currently held do not bear any material currency risk.

7 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. All major decisions concerning the financial structure of the B2B/B2G segment are taken by the Executive Board of ZEAL Network. Capital management activities of the B2C segment are handled by MyLotto24 Limited, with the exception of Tipp24 Services which operates its own capital management system.

Neither the segments nor the Group as a whole have any externally imposed capital requirements other than the minimum capitalisation rules that apply to subsidiaries in Germany and Spain.

The objective of the capital management policy of all individual segments, and of the Group as a whole, is to maintain investor, creditor and market confidence and sustain the future development of the business. Specific principles and objectives of capital management are as follows:

- The capital structures of the B2B/B2G segment and the B2C segment (together 'the segments') consist of shareholders' equity, as none of these segments holds any external debt.
- The amount of each segment's surplus equity (i.e. the quantum of equity that exceeds the amount required to secure each segment's stable financial position) is to be used for inorganic acquisitions and the funding of further organic growth in line with the strategic objectives.
- ZEAL Network also monitors the capital structure of all segments to ensure that sufficient equity is available to service external dividend payments.
- While none of the segments currently hold external debt, in the medium-term, ZEAL Network may also leverage its financial position to secure funding to finance growth or future acquisitions.

The capital capacity and requirements of each segment is reviewed on at least a quarterly basis by the Executive Board and Supervisory Board. The objective of these reviews is to ensure that there is sufficient capital available to ensure that external dividend payments can be made and each segment has sufficient resources available to fund ongoing working capital, investment and acquisition plans.

8 RELATED PARTIES

The Members of the Executive Board and the Supervisory Board of ZEAL Network, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24 'Related Party Disclosures'.

Jens Schumann is a Member of the Supervisory Board. Jens Schumann is the sole shareholder of Schumann e.K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licences at present to natural persons or companies in which neither the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between ZEAL and Schumann e.K., which governs the processing of game participation of class lottery customers by Schumann e.K. Under the terms of the agreement, Schumann e.K. must pay all commissions and other brokerage fees collected in this context to ZEAL. ZEAL provides Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann e.K. in running its operations. As Schumann e.K. forms part of the ZEAL Group, all charges and income eliminate in full in the consolidated financial statements.

As Jens Schumann operates Schumann e.K. in the interest of ZEAL, ZEAL has undertaken to indemnify him in the event of any personal claims by third parties arising from or in connection with the operation of Schumann e.K. Indemnification is limited to the extent that fulfilment of this indemnification may not cause ZEAL to become insolvent or over-indebted. In his capacity as shareholder of Schumann e.K., Mr. Schumann did not receive any remuneration during the period.

Oliver Jaster is a Member of the Supervisory Board. The operating business of Schumann e.K. was outsourced to a related company of Oliver Jaster, Günther Direct Services GmbH, Bamberg. In return, Günther Direct Services GmbH, Bamberg, received compensation of €58k in the period under review (2016: €61k). Of this amount €8k was owed to Günther Direct Services GmbH, Bamberg, at 30 June 2017.

The Swiss foundation 'Fondation enfance sans frontières', Zurich, owner of the preference shares of MyLotto24 Limited and Tipp24 Services Limited, has been identified as a related party. There has been no dividends or donations paid by the Group to the Swiss foundation during the six month period (2016: €nil).

There were no other significant transactions with related parties in the period under review.

9 SUBSEQUENT EVENTS

There were no significant events after the balance sheet date that require separate disclosure.

10 STATUTORY ACCOUNTS

The financial information shown in this publication, which was approved by the Executive Board of Directors on 11 August 2017, is unaudited and does not constitute statutory financial statements. The Annual Report of ZEAL Network SE for the year ended 31 December 2016 has been filed with the Registrar of Companies in England and Wales. The report of the auditor on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

FINANCIAL CALENDAR

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